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GENERAL

1. French attitude on German devaluation--US High Commissioner McCloy in Berlin reports that the French Government has rejected his proposals on devaluation of the German mark. McCloy adds that it is the impression of the French High Commissioner that the French Government desires to take the issue of devaluation out of the hands of the High Commission. McCloy expresses the view that it would constitute a "disaster of the first order" to the administration of Germany if the High Commission on its first test were forced to refer the matter back to the three governments.

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EUROPE

2. YUGOSLAVIA: Cannon favors Yugoslav SC membership--US Ambassador Cannon reports that he is inclined to favor Yugoslav membership in the Security Council. Cannon points out that US support for Yugoslavia might adversely affect US-USSR working relationships, but he considers it likely that Yugoslav membership in the SC would contribute to the healthy development of the UN as a truly representative body. Cannon emphasizes that despite the Yugoslav-Kremlin quarrel, Yugoslavia is still a "Communist, Eastern European and Slavic" nation and thus its election to the SC would be consistent with the existing principle of geographic and political representation. According to Cannon, a US attempt to exclude Yugoslavia would smack suspiciously of power politics and would help maintain the rigidity of two political blocs. Cannon concludes that although Yugoslavia could scarcely be expected to follow the West out of spite to the Kremlin, the middle-of-the-road policy it may follow in the UN would be a salutary influence.

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